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Agenda Item 3a

September 13, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Health Benefits Purchasing Review Project Update
- II. **PROGRAM:** Benefit Programs Policy and Planning
- III. **RECOMMENDATION:** Information
- IV. **BACKGROUND:**

In March 2011, the Health Policy Research Division (HPRD) launched the Health Benefits Purchasing Review (HBPR) project. This project evaluates current benefit design and purchasing strategies in light of the marketplace and program guiding principles in order to ensure that the CalPERS Health Benefits Program meets the future needs of members and employers.

The scope of this effort includes conducting a market scan of CalPERS and California cost-drivers, leading design strategies, and health care reform impacts; survey of members and employers; evaluation of alternative strategies; stakeholder engagement in developing and testing strategies; and a presentation of outcomes to the Health Benefits Committee (HBC) by January 2012.

This agenda item provides an update on project activities since the last reported progress presented to the Board of Administration at the July offsite.

IV. ANALYSIS:

Project Status

The Market Scan phase of the project is complete and staff presented highlights at the July offsite. The next phase of the project includes the following key activities:

- Stakeholder engagement;
- Survey data compilation and analysis; and,
- Development of a portfolio of strategies/alternatives

Stakeholder Engagement

Ann Boynton and Doug McKeever facilitated stakeholder meetings throughout July and August to discuss the HBPR project and solicit stakeholder input. The following summarizes the meetings and feedback:

- **Health Plans** (7/27/2011 – 8/2/2011) – In general, health plans were very receptive to meeting with CalPERS and having an open discussion about the California marketplace, trends in integrated care, innovations in wellness/health management, and the future of health care reform. More importantly, with the exception of one plan, there was strong support and willingness to participate in the CalPERS Health Benefits Program if the opportunity presented itself in the future. In the meantime, ongoing dialogue and relationship building will continue.
- **Labor Coalition** (8/18/2011) – Provided overview of the project efforts to date. They expressed an interest in a briefing on member survey results and possible strategy changes.
- **Public Agency Employer Stakeholders** (8/19/2011) - Presented project overview and market scan highlights to the California Special Districts Association, California State Association of Counties, League of California Cities, and Placer County. The group is interested in survey results and future strategies.

Other upcoming meetings:

- California Department of Finance
- California Hospital Association
- California Association of Physician Groups

The Project Management Team will continue to hold stakeholder meetings through October and will meet with the California Department of Personnel Administration (DPA) and the California Education Coalition for Health Care Reform (CECHCR) Board (October 5, 2011). Also, CalPERS will host a workshop at the 2011 CalPERS Educational Forum where we will share up-to-date information on the project's findings to date, and facilitate a discussion on the potential strategies developed.

Survey Data Compilation and Analysis

To understand CalPERS customer preferences, we surveyed members and employers in July and August. The surveys included questions designed to provide insight into customer perspectives related to:

- What they value most
- CalPERS performance and overall satisfaction
- Benefit features that are least valuable
- Relative value of different benefits and how they view various trade-offs
- Receptivity to new ideas (especially around wellness)

The following table illustrates the number of members and employers surveyed and the statistically valid set of responses obtained from the survey populations:

Survey Type	Invited	Responded	Response Rate
PA Employers Contracted for Health	890	175	20%
PA Employers Contracted for Retirement Only	829	188	23%
State and PA Retired and Active Members	42,999	4,900	11%

Based on CalPERS' experience with other member surveys, we anticipated a response level between 10% and 15%. Consequently, we sent the survey out to a very large pool. The return rate and distribution across employer type have resulted in a statistically valid sample so our results can be extrapolated.

Staff will present survey results as a handout at the HBC Committee Meeting.

Development of Portfolio of Strategies/Alternatives

In August, HPRD staff and consultants began developing a comprehensive list of benefit design and purchasing strategies based on best practices, previous Health Benefits program ideas, current initiatives, survey feedback, stakeholder input, health care reform implications, and consulting expertise.

These strategies explore various plan design alternatives, contribution and eligibility options, health and wellness incentives, innovative partnerships, and sourcing/procurement strategies. Staff will test the strategies with stakeholders in October, refining them further for discussion at the Board workshop in December.

V. STRATEGIC PLAN:

The HBPR project directly relates to Goals X, XI, and XII of the Strategic Plan which state:

- "Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers."
- "Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes."
- "Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost."

VI. RESULTS/COSTS:

This is an information only item.

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